

Statement
Insurance Association of Connecticut

Select Committee on Aging

February 5, 2013

HB 5758, An Act Concerning An Income Tax Deduction For
Long-Term Care Insurance Premiums

The Insurance Association of Connecticut supports HB 5758, An Act Concerning An Income Tax Deduction For Long-Term Care Insurance Premiums.

HB 5758 seeks to create an incentive for the purchase of long term care insurance by permitting individuals a tax deduction when one purchases such a policy. The current system for financing long term care is expensive and fragmented. People are living longer and the baby boom generation is getting closer and closer to needing long term care, placing unprecedented strains on Connecticut's Medicaid budgets.

More times than not the financial responsibility for long-term care falls to the state. Medicaid continues to be the fastest growing part of the Connecticut state budget. Last year the state spent \$2.8 billion or about 10% of the state budget on long term Medicaid services. It is projected that Medicaid costs will increase 360 percent by 2030 when the last baby boomers reach age 65. In Connecticut, the current average cost for a stay in a long-term care facility is \$102,000 per year. States are looking for ways to offset those costs and HB 5758 is a viable and cost effective means for controlling long term care costs. Creating tax incentives for the purchase of long term care insurance products is a valuable tool to achieve that goal.

Long term care insurance provides individuals a way to finance and control their own long term care while reducing their dependency on the state for those needs. Tax incentives, such as those contemplated by HB 5758, would make long term care coverage more affordable and thus more accessible to those who will need it. As such, the incentives created will entice more individuals to buy coverage. The more people that purchase the coverage will likely reduce the number or extent of the draw on the state in the future.

Twenty four states already offer some form of tax incentives, either in the form of credits or deductions. Providing incentives for long term care insurance it will be the best investment the state can make. HB 5758 is a win-win proposal for the state and insureds alike.

The IAC urges your support of HB 5758.